

**BEFORE THE**  
**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Joint Application of )  
HYDRO ONE LIMITED (acting through its ) DOCKET U-170970  
indirect subsidiary, Olympus Equity LLC) )  
And )  
AVISTA CORPORATION )  
For an Order Authorizing Proposed )  
Transaction. )  
\_\_\_\_\_ )

**EXHIBIT MMH-3**  
**HYDRO ONE RESPONSES TO AWEC DATA REQUESTS 108 AND 110**

**HYDRO ONE LIMITED  
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	9/17/2018
CASE NO.:	U-170970	WITNESS:	James Scarlett
REQUESTER:	AWEC	RESPONDER:	Adele Pantusa
TYPE:	Data Request	DEPT:	Law
REQUEST NO.:	AWEC – 108(H1)	TELEPHONE:	416-345-6310
		EMAIL:	apantusa@hydroone.com

**REQUEST:**

Reference the proposed modification to the Delegation of Authority between Avista and Hydro One, provided at Exh. JDS-1T, pages 26-27.

- a. Is it Hydro One's position that a majority of its new Board of directors was appointed by Ontario?
- b. If the answer to subpart a is "no," please explain how it would be possible for Ontario to appoint a majority of the Hydro One Board given that Section 4.1.1(b) of the Governance Agreement authorizes the Province to nominate only 40% of the directors.
- c. If the answer to subpart a is "no," does Hydro One believe that, as a practical matter, a majority of the Board could be elected over Ontario's objections given that the Province has the authority under Section 4.7 of the Governance Agreement to remove the entire Board? Please explain your answer.

**RESPONSE:**

- a. No.
- b. Section 4.1.1(b) of the Governance Agreement dated November 5, 2015 (the "Governance Agreement") between Hydro One and Her Majesty The Queen In Right of Ontario (the "Province") entitles the Province to nominate the number of director nominees that is equal to 40% of the number of directors to be elected (rounded to the nearest whole number). Other than an amendment to the Governance Agreement by mutual agreement of the parties, circumventing Section 4.1.1(b) of the Governance Agreement would require legislative action by the Province.
- c. Yes, it is possible for a majority of the Board to be elected over Ontario's objections. The Province is required under the Governance Agreement to vote in favor of all director nominees of Hydro One. This obligation is subject, however, to the Province's overriding right to withhold from voting or otherwise seek a shareholder meeting to remove and replace the entire Board, including in each case its own director nominees but excluding the CEO and, at the Province's discretion, the Board Chair. Even if the Province were to remove the entire Board (other than the CEO) pursuant to its rights under section 4.7 of the Governance Agreement, the Governance Agreement provides that, following the Province's exercise of this right, the replacement Board is to be nominated by the Province and an Ad Hoc Nominating Committee comprised of representatives from Hydro One's five largest minority shareholders (excluding the Province). The Province

can nominate 40% of the directors; the Ad Hoc Nominating Committee can nominate 60%. All director nominees must meet the qualifications set forth in Section 4.2 of the Governance Agreement. We also note that in Section 16 of the July 11, 2018 Letter Agreement (Exhibit JDS-2 to Mr. Scarlett's Supplemental Testimony filed on September 6, 2018), the Province reaffirmed its commitment to the Governance Agreement.

**HYDRO ONE LIMITED  
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	September 24, 2018
CASE NO.:	U-170970	WITNESS:	James Scarlett
REQUESTER:	AWEC	RESPONDER:	Adele Pantusa
TYPE:	Data Request	DEPT:	Law
REQUEST NO.:	AWEC – 110(H1)	TELEPHONE:	416-345-6310
		EMAIL:	apantusa@hydroone.com

**REQUEST:**

Please confirm that the additional commitment regarding Avista employee compensation, provided at JDS-1T pages 25-26, applies to Avista’s CEO.

**RESPONSE:**

Confirmed.

The Merger Agreement between Hydro One and Avista included Schedule I titled the “Delegation of Authority Matters” (the “Delegation of Authority”). The Delegation of Authority establishes the matters over which Avista’s post-merger Board of Directors will have exclusive authority and those matters over which Olympus Equity (an indirect subsidiary of Hydro One) will have authority as Avista’s sole shareholder.

In addition to the commitment proposed at pages 25-26 of JDS-1T, Avista and Hydro One have amended the Delegation of Authority (original attached as Appendix 5 to the Joint Application) between them such that the Avista Board will have the exclusive authority to “maintain or make changes to director, officer or employee compensation or any aspects thereof, such as amount, mix, form, timing etc., in each case that are consistent with current market standards and prevailing practices of relevant U.S. electric and gas utility benchmarks.” Please see Schedule I in AWEC\_DR\_110(H1) Attachment A, which contains the amended versions of Schedules I, II, and III in the current draft of the revised Delegation of Authority to be adopted by Hydro One and Avista at closing.